

United States Senate

WASHINGTON, DC 20510

November 4, 2013

The Honorable Thomas Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20010

The Honorable Sylvia Burwell
Director
U.S. Office of Management and Budget
725 17th Street NW
Washington, DC 20503

Dear Secretary Vilsack and Director Burwell:

I write to express my concern about subjecting the Tobacco Transition Payment Program (TTPP) to sequestration in FY2014. North Carolina is home to 2,000 small tobacco farmers and tobacco remains an important part of North Carolina's \$77 billion agriculture economy.

On October 22, 2004, the American Jobs Creation Act (P.L. 108-357) was signed into law. Title VI of the Act included the Fair and Equitable Tobacco Reform Act (FETRA), which established the Tobacco Transition Payment Program (TTPP). This program provides \$10.1 billion in direct payments between 2005 and 2014 to tobacco growers and quota holders in exchange for the elimination of the tobacco quota and price support system. Growers and tobacco quota holders were required to enroll and meet certain requirements to be eligible for the program.

It is my impression that no federal money is conveyed to TTPP participants. Rather, the funding derives from a user fee assessed quarterly on all tobacco product manufacturers and importers. The role of the U.S. Department of Agriculture (USDA) is to pass the money collected from the manufacturers and importers onto the growers. Growers had the option to securitize the 10-year payments with commercial banks and receive a lump-sum payment or take the annual payment for 10 years.

I am deeply troubled if OMB directed USDA to subject TTPP payments to sequestration. First, TTPP payments do not involve general taxpayer dollars and should not be subject to sequestration. TTPP payments are funded entirely by industry user fees. Second, the growers that elected to trust the federal government and receive 10 annual payments will be adversely affected while growers that took the lump sum payment would be unaffected. Third, the financial institutions that

securitized with TTPP payments and provided lump-sum disbursements would be adversely impacted. I strongly believe full TTPP payments should be made to growers and quota holders in FY2014.

Sincerely,

A handwritten signature in blue ink, reading "Kay R. Hagan". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Kay R. Hagan
United States Senator